

Tennessee Education Lottery Corporation

Projections for FY 2005 & FY 2006

Tennessee Education Lottery Corporation
Projections for
Fiscal Year 2005 and Fiscal Year 2006

	Actual Through 10/31/04	Projected for Nov - Jun 2005	Projected FY 2005	Fiscal Year 2005 Budgeted as Submitted	Fiscal Year 2006 Projections
Gross Revenues	\$ 251,335,000	\$ 489,142,000	\$ 740,476,000	\$ 693,000,000	\$ 768,000,000
Total Proceeds	\$ 235,456,000	\$ 457,574,000	\$ 693,030,000	\$ 646,583,000	\$ 720,100,000
Return to Education	\$ 71,300,000	\$ 138,736,000	\$ 210,035,000	\$ 200,788,000	\$ 218,983,000
Return to After School Program	\$ 1,175,000	\$ 2,625,000	\$ 3,800,000	\$ 3,400,000	\$ 3,950,000
% Return	30.3%	30.3%	30.3%	31.1%	30.4%
Direct Expenses (As a % of Total Proceeds)					
Prize Expense					
Instants	60.3%	57.6%	58.5%	56.4%	59.1%
Cash 3	51.0%	49.5%	50.0%	50.0%	50.0%
Powerball & Lotto 5	50.0%	50.0%	50.0%	50.0%	50.0%
Retailer Commissions (As a % of Gross Sales)	6.5%	6.5%	6.5%	6.5%	6.5%
Vendor Fees	2.1%	2.2%	2.2%	2.1%	2.2%
Non-Direct Expenses (As a % of Total Proceeds)					
Advertising	2.0%	2.1%	2.0%	2.2%	2.0%
Other Gaming	0.5%	1.0%	0.9%	0.9%	0.9%
Personnel	1.1%	1.6%	1.5%	1.6%	1.4%
Total Number of Positions	178	N/A	197	197	197
Number of Direct Sales Positions	59	N/A	65	65	65
Fringe Benefits	0.3%	0.5%	0.4%	0.4%	0.4%
Other Operating Expenses	0.5%	0.7%	0.7%	0.7%	0.6%

Tennessee Education Lottery Corporation
Projections for
Fiscal Year 2005 and Fiscal Year 2006

	Actual Through 10/31/04	Projected for Nov -June	Projected FY 2005	Fiscal Year 2005 Budget As Submitted	Fiscal Year 2006 Projections
SALES					
Instant Ticket Sales	\$ 168,934,938	\$ 336,421,838	\$ 505,356,776	\$ 495,429,000	\$ 520,000,000
Cash 3	22,310,874	43,505,664	65,816,538	52,143,000	70,000,000
Powerball	54,885,261	93,452,134	148,337,395	125,071,000	153,000,000
Lotto 5	5,203,633	15,761,918	20,965,551	20,357,000	25,000,000
GROSS TICKET SALES	\$ 251,334,706	\$ 489,141,554	\$ 740,476,260	693,000,000	\$ 768,000,000
Less: Instant Tickets Provided as Prizes	(17,245,032)	(34,301,359)	(51,546,391)	(49,543,000)	(52,000,000)
Net Ticket Sales	\$ 234,089,674	\$ 454,840,195	\$ 688,929,869	\$ 643,457,000	\$ 716,000,000
Other Revenue	1,366,573	2,733,427	4,100,000	3,126,000	4,100,000
TOTAL PROCEEDS	\$ 235,456,247	\$ 457,573,622	\$ 693,029,869	\$ 646,583,000	\$ 720,100,000
DIRECT EXPENSES					
Prize Expense					
Instant Ticket	\$ 91,438,870	\$ 174,040,206	\$ 265,479,076	\$ 251,480,000	\$ 276,588,000
Less: Unclaimed from Prior Year	(683,188)	(1,392,812)	(2,076,000)	(2,076,000)	(3,800,000)
Net Instant Ticket Prize Expense	90,755,682	172,647,394	263,403,076	249,404,000	272,788,000
Cash 3	11,376,940	21,531,329	32,908,269	26,071,000	35,000,000
Powerball	27,443,169	46,725,529	74,168,698	62,535,000	76,500,000
Lotto 5	2,601,824	7,880,952	10,482,776	10,178,000	12,500,000
Total Prize Expense	132,177,615	248,785,203	380,962,818	348,188,000	396,788,000
Retialer Commissions	16,329,115	31,801,842	48,130,957	45,046,000	49,920,000
Vendor Fees	4,819,042	10,118,877	14,937,919	13,598,000	15,446,000
Total Direct Expense	\$ 153,325,772	\$ 290,705,922	\$ 444,031,694	\$ 406,832,000	\$ 462,154,000
NON-DIRECT EXPENSE					
Advertising	4,972,493	10,137,507	15,110,000	15,110,000	15,110,000
Other Gaming Expenses	1,163,573	4,931,427	6,095,000	6,095,000	6,095,000
Personnel	2,727,154	7,608,846	10,336,000	10,336,000	10,336,000
Fringe Benefits	628,729	2,234,271	2,863,000	2,863,000	2,863,000
Other Operating Expenses	1,338,899	3,220,101	4,559,000	4,559,000	4,559,000
Total Non-Direct Expenses	\$ 10,830,848	\$ 28,132,152	\$ 38,963,000	\$ 38,963,000	\$ 38,963,000
TOTAL EXPENSES	\$ 164,156,620	\$ 318,838,074	\$ 482,994,694	\$ 445,795,000	\$ 501,117,000
INCOME FROM OPERATIONS	\$ 71,299,627	\$ 138,735,548	\$ 210,035,175	\$ 200,788,000	\$ 218,983,000
INCOME SUBJECT TO TRANSFER	\$ 71,299,627	\$ 138,735,548	\$ 210,035,175	\$ 200,788,000	\$ 218,983,000
% of Total Proceeds	30.3%	30.3%	30.3%	31.1%	30.4%

Tennessee Education Lottery Corporation
Summary of Key Financial Data
As of October 31, 2004
In (\$ 000's)

	Month to date at 10/31/2004	Fiscal Year 2005 First Quarter	Fiscal Year 2004 Fourth Quarter	Fiscal Year 2004 Third Quarter	Total Since Inception
Note 1: Income Statement Data:					
Note 2: Gross Ticket Sales	67,862	183,473	196,106	231,580	679,021
Total Lottery Proceeds	63,824	171,632	182,697	210,507	628,660
Note 3: Prize Expense	35,964	96,214	100,465	116,507	349,150
Prize Expense	56.3%	56.1%	55.0%	55.3%	55.5%
Note 4: Retailer Commissions	4,408	11,921	12,741	15,052	44,122
Retailer Commissions (as a % of Gross Revenues, per statute)	6.5%	6.5%	6.5%	6.5%	6.5%
Due to Education Account	19,986	51,314	59,497	63,774	194,571
Due to After-School Program	1,175	855	2,050	1,165	
Other Selected Data (as a % of Total Lottery Proceeds):					
Due to Education	31.3%	29.9%	32.6%	30.3%	
Note 5: Vendor Fees	2.0%	2.1%	2.3%	2.4%	
Advertising	1.8%	2.2%	1.2%	1.6%	
Personnel	0.9%	1.2%	1.1%	1.3%	
Fringe Benefits	0.2%	0.2%	0.2%	0.2%	
Other Operating and Other Gaming	0.4%	1.3%	1.2%	1.6%	

Tennessee Education Lottery Corporation
Summary of Key Financial Data
As of October 31, 2004
In (\$ 000's)

Significant Accounting Policies and Notes:

Note 1: The TEL is accounted for as an enterprise fund, with the financial statements being prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Note 2: Instant Ticket revenues are recognized when the product is made available for sale to the public, which is based on ticket activations by the retailers. Online Ticket revenues are recognized on the day of the draw.

Note 3: Prize expense for instant games is recognized based on the predetermined prize structure for each game in accordance with the approved game working papers. Prize expense is recorded when the tickets are activated for sale. Prize expense for online games is currently recognized on an industry average of 50% of draw sales.

An estimate of two percent (2%) of the prize expense for instant games is recognized as unclaimed prizes. For online games, an estimate of two percent (2%) of prize liability (excluding jackpot prizes) is recognized as unclaimed prizes.

Note 4: Retailers receive a commission of 6.5% on gross ticket sales, which includes free instant tickets issued as prizes.

Note 5: TEL contracts with two vendors, GTECH Corporation and Scientific Games International, for Lottery Gaming Systems and Services, and Instant Ticket Products and Services, respectively. Compensation paid to these vendors is 1.24% and 1.139% of adjusted sales, respectively, in accordance with the related contractual agreement.

TENNESSEE EDUCATION LOTTERY CORPORATION
REVENUES AND EXPENSES
Fiscal Year to Date as of October 31, 2004

	ACTUALS THROUGH October 30, 2004	BUDGET THROUGH October 30, 2004	OVER/(UNDER) BUDGET
SALES			
INSTANT TICKET SALES	\$168,934,938	\$165,143,000	\$3,791,938
CASH 3	22,310,874	17,381,000	4,929,874
POWERBALL	54,885,261	41,690,332	13,194,929
LOTTO 5	5,203,633	4,071,400	1,132,233
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GROSS TICKET SALES	\$251,334,706	\$228,285,732	\$23,048,974
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(17,245,032)	(16,514,332)	(730,700)
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NET TICKET SALES	\$234,089,674	\$211,771,400	\$22,318,274
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OTHER REVENUE			
RETAILER APPLICATION FEES	10,350	10,000	350
INTEREST INCOME	173,988	120,000	53,988
MISCELLANEOUS INCOME	16,945	2,000	14,945
RETAILER SERVICE FEE	1,165,290	910,000	255,290
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TOTAL OTHER REVENUE	1,366,573	1,042,000	324,573
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TOTAL REVENUE	235,456,247	212,813,400	22,642,847
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GAMING EXPENSES			
PRIZE EXPENSE	132,177,614	114,705,600	17,472,014
RETAILER COMMISSIONS	16,329,115	14,838,932	1,490,183
ADVERTISING	4,972,493	5,036,668	(64,175)
VENDOR FEES	4,819,042	4,484,732	334,310
OTHER GAMING EXPENSE	1,163,573	2,031,668	(868,095)
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TOTAL GAMING EXPENSES	\$159,461,837	\$141,097,600	\$18,364,237
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OPERATING EXPENSES			
PERSONNEL	2,727,154	3,445,335	(718,181)
FRINGE BENEFITS	628,729	954,331	(325,602)
OTHER OPERATING EXPENSES	1,338,899	1,519,668	(180,769)
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TOTAL OPERATING EXPENSES	4,694,782	5,919,334	(1,224,552)
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TOTAL EXPENSES	\$164,156,619	\$147,016,934	\$17,139,685
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INCOME	\$71,299,628	\$65,796,466	\$5,503,162
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